

ECUADOR

Ecuador - Civil Law

★ Incorporate Now | Consultation

Click request a call for a free, no obligation consultation.
In a hurry? Click incorporate now, and startup your company immediately.

Incorporating a company in Ecuador

Far Horizon Capital Inc
10 Anson Road, Suite 26-04
International Plaza, Singapore

Ecuador taxes

If you want to set up a company in Ecuador, this will tell you about tax laws for a Compañía Limitada which is the most common company type in Ecuador.

Ecuador taxes corporate income on a worldwide basis. The headline standard rate for offshore income, from our research, and these things do change, is 22%. However foreign-income may be tax exempt if the company demonstrates that the income tax was paid abroad. Taxes are reasonable in Ecuador as the income corporate tax rate is 22%. CIT rate may be 25% if the company is owned by a resident of a considered tax heaven. This ranks Ecuador as 89th overall in terms of corp. taxation rate internationally.

The value added tax (VAT) rate in Ecuador is 12.00%, which ranks Ecuador as 61st when compared to VAT taxation rate internationally. In terms of other taxation, an employer will contribute 11.15% to the equivalent of a social security fund and an employee will contribute 9.45%. The overall complexity of the tax system is high. This is measured by average time to comply with a country's labor tax requirements is as it is 306hours. Contributing to this is the number of yearly labor tax payments, which is 13 in EC.

Thin capitalization standards are in effect. Thin capitalisation refers to any sort of restrictions on a business and the debt-to-asset ratios. Dividends received by a resident company from profits previously taxed, are exempt of CIT. A dividend is payments of an earnings of the legal entity, voted on by the board, to shareholders. Dividends can be either shares of stock, cash payments, or other property. Capital Gains are taxed as ordinary income. A capital gains tax is levied on the profits that a corporation or natural person realizes when they sell sells a capital asset for a price that is higher than the purchase price.

Interests are not generally subject to withholding tax. This means that payments to non-residents on interests may not be taxed, unless the interest rate exceeds the rate set by the Central Bank. Any excess is subject to 22% withholding tax, unless reduced by a tax treaty. If interests are paid to a resident of a tax haven, the rate increases up to 25%. Dividends are not generally subject to withholding tax. This means that distribution of dividends to non-residents are not usually subject to tax. If recipient is resident of a tax haven, a dividends withholding tax of 10% may apply. Royalties are subject to a withholding tax of 22%, unless rate is reduced under a tax treaty. Royalties paid to residents of a tax haven may be taxed at an increased rate of 25%.
Municipalities levy net wealth taxes for individuals and corporations. There are transfer and real estate taxes. There are inheritance taxes in EC. We are aware of widely used credits for innovation spend that include tax incentives in Ecuador.

The above is not tax or legal advice for your individual circumstances. We are able to to help you to find an expert in Ecuador who can give you an answer. Contact us today. Click the free consultation button above.

The vat rate in Ecuador is 12% which ranks 61 in the world.

- ☑ **Patent box**
- ☑ **RND credit**
- ✖ **Wealth tax**
- ☑ **Estate tax**
- ☑ **Transfer taxes**
- ✖ **Asset taxes**
- ✖ **Capital duties**

- **19** **Tax treaties**
- **22%** **Offshore Tax**
- **22%** **Corp rate**
- **-** **Loss carryback years**
- **108** **Corporate time**
- **12%** **VAT rate**
- **22%** **Capital gains**
- **No** **AEOI planned**

Ecuador Legalese

When incorporating, you must look at the law in the country, in Ecuador is civil law law. You will want to get some local advice as to how to best structure a company in Ecuador. Electronic signatures are permitted.

The letters EC is for Ecuador and the most common company type structure in Ecuador is a Compañía Limitada.

The average time to incorporate is 56 dAys to put together the paperwork and file a Compañía Limitada in EC. The types of currencies you can use to fund your business is often any legal tender.

To "re-dom" a company is not common, and there are no re-domiciliation laws. One is typically not permitted to change the jurisdiction.

There must be at least This means it is not possible for you to own a Compañía Limitada in Ecuador as a sole shareholder. You must have other shareholders, they can be nominees or de facto shareholders. Corporate Shareholders are encouraged, which means you can have a corporate shareholder. Foreign ownership is encouraged, up to 100% of the total equity of the company.

There is a requirement to have at least 2 directors. Additionally, corporate directors are permitted. Directors can have some expectation of privacy, as they are not disclosed publicly. There is a requirement to have annual meetings of shareholders.

A registered agent is normally required, which means the company will have to pay a fee on a yearly basis, for a legal services company which can receive litigation or other legal process on behalf of the registered legal entity. Furthermore, a corporate secretary is not always necessary, at least not by law.

There is a legal obligation to file accounts on a yearly basis. Furthermore, there is oftentimes a requirement to have these accounts audited.

Overall we think Ecuador is a ok option and have given it a score of 62 as an IO score, using the Incorporations.IO proprietary formula.

- ☑ **Directors not disclosed in a public registry**
- ✖ **Shareholders not disclosed in a public registry**
- ✖ **Redomiciliation permitted**
- ☑ **Registered office required**
- ☑ **Corporate director permitted**
- ✖ **Local Secretary not required**
- ☑ **Local Director not required**
- ☑ **Electronic signature**

- **2** **Shareholders required**
- **2** **Directors required**
- **56 dAys** **to form**

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Country Info



National Flag of

República del Ecuador (spa)

Currency

USD

Area Code

+593

Capital

Quito

Region

South America

Native Languages

Spanish